

# MEETING MINUTES

## EMPIRE STATION COMMUNITY ADVISORY COMMITTEE WORKING GROUP

**DATE/TIME:** July 19, 2022 / 5:00pm EST

**SUBJECT:**

**GPP and Financial Framework  
Update**

**WEEK #:** 17

**MEETING LEADER:** ESD

*The following minutes prepared by Empire State Development are a summary of the meeting and are intended to capture only the main points made in the meeting. Discrepancies should be reported to Gabriella Green at Empire State Development **within three (3) calendar days** of distribution of this document.*

### PARTICIPANTS:

NAME	ORGANIZATION / AGENCY
Hon. Brad Hoylman	New York State Senate
Hon. Liz Krueger	New York State Senate
Hon. Richard Gottfried	New York State Assembly
Hon. Erik Bottcher	NYC Council
Robert Gottheim	U.S. Congressman Jerrold Nadler
Betsy Schmid	U.S. Congresswoman Carolyn Maloney
Maia Berlow	NYS Senator Brad Hoylman
Sam Vasquez	NYS Senator Brad Hoylman
Natalie Naculich	NYS Senator Brad Hoylman
Dario Quinsac	NYS Senator Robert Jackson
Arty Lowenstein	NYS Senator Liz Krueger
Brad Usher	NYS Senator Liz Krueger
Wendi Paster	NYS Assemblyman Richard Gottfried
Matt Tighe	NYS Assemblyman Richard Gottfried
Lizette Chaparro	Manhattan Borough President's Office
Paul Goebel	Manhattan Borough President's Office
Sean Coughlin	NYC Councilman Erik Bottcher
Andrew Lassiter	NYC Council
Perris Straughter	NYC Council
Dan Biederman	34th Street Partnership
Kevin Finnegan	Labor lawyer, formerly 1199
Gary LaBarbera	Building & Construction Trades Council of NY
Santos Rodriguez	Building & Construction Trades Council of NY
Aaron Jones	32BJ
Denis Johnston	32BJ
Christine Berthet	Community Board 4
Paul Devlin	Community Board 4
Lowell Kern	Community Board 4

NAME	ORGANIZATION / AGENCY
Jeffrey LeFrancois	Community Board 4
Layla Law-Gisiko	Community Board 5
Eugene Sinigalliano	Resident Representative
Basha Gerhards	Real Estate Board of New York
Brook Jackson	Partnership for NYC
Elizabeth Goldstein	The Municipal Art Society of NY
Brian Fritsch	Regional Plan Association
Felicia Park-Rogers	Tri-State Transportation Campaign
Peter Matuszewitch	MTA
Sara Appleton	Amtrak
Isabella Creatura	Amtrak
Petra Messick	Amtrak
Ryan Morson	Amtrak
Craig Schulz	Amtrak
Sharon Tepper	Amtrak
Josh Kraus	NYCEDC
Jennifer Sta. Ines	NYC DOT
Jeremy Colangelo-Bryan	NJ Transit
Sean Huberth	NJ Transit
Kate Ward	NJ Transit
Judy Kessler	Vornado
Barry Langer	Vornado
Audrey Wilson	Vornado
Carl Weisbrod	Vornado (Consultant)
Justin Birzon	Albany Strategic Advisors
Dan Cain	Albany Strategic Advisors
Allison Lee	Albany Strategic Advisors
Jordan Beberman	NYS Executive Chamber

NAME	ORGANIZATION / AGENCY
Naysha Diaz	NYS Executive Chamber
James Katz	NYS Executive Chamber
Jane Weisenberg	NYS Executive Chamber
Terence Cho	ESD
Matt Gorton	ESD
Gabriella Green	ESD
Emily Mijatovic	ESD
Holly Leicht	ESD
Phil Maguire	ESD
Noah Rayman	ESD
Angel Santana	ESD

NAME	ORGANIZATION / AGENCY
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**Location:** Zoom

Item #	Description / Discussion
1.	<b><u>PRESENTATION</u></b> <ul style="list-style-type: none"> <li>See presentation on ESD <a href="#">website</a>.</li> </ul>
2.	<b><u>Q&amp;A AND COMMENTS</u></b>
i.	<ul style="list-style-type: none"> <li><b>Development Framework</b> <ul style="list-style-type: none"> <li>➤ Site 1B should also be developed entirely as residential and should have more affordable housing units (C. Berthet) <ul style="list-style-type: none"> <li>○ The number of residential units in the Affirmed GPP reflects a balance between the need to generate revenue for the Penn Station projects and providing affordable housing. Because the sites with affordable housing are assumed to receive future tax benefits, those are not anticipated to generate significant revenue. Some sites, such as Site 1B, have residential use as an option rather than a requirement so that development of housing could happen sooner on other site(s) in case another developer was ready to commence development</li> </ul> </li> <li>➤ Did the EIS account for the redevelopment of the Port Authority Bus Terminal (“PABT”)? (J. LeFrancois) <ul style="list-style-type: none"> <li>○ The FEIS included an analysis of the PABT and the analysis method is laid out in the <a href="#">Response to Comments</a>.</li> </ul> </li> </ul> </li> </ul>
ii.	<ul style="list-style-type: none"> <li><b>Governance</b> <ul style="list-style-type: none"> <li>➤ A single development corporation entity (“DevCo”) should coordinate the transit and station projects, the real estate development projects, and public realm improvement projects. (P. Devlin, C. Berthet) <ul style="list-style-type: none"> <li>○ The initial scope of the DevCo is focused on the public realm so that work on the public realm concept plan can be prioritized and begin imminently with all the necessary City of New York (“City”), State, railroad, community, and private party stakeholders’ involvement. ESD does not have the authority through its GPP to expand the scope of the DevCo, but in the future, the scope of the development corporation may evolve and/or expand upon mutual agreement among all parties.</li> </ul> </li> <li>➤ The City and State should each hold an equal number of director seats on the DevCo. It is suggested that one of the Director seats held by the State be filled by a person recommended by the Mayor. (AM Gottfried) <ul style="list-style-type: none"> <li>○ The Urban Development Corporation Act (“UDC Act”) requires that the majority of director sets for ESD subsidiaries be filled by representatives of New York State.</li> </ul> </li> </ul> </li> </ul>

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	<p>However, as per the <a href="#">City-State Letter of Mutual Agreement</a> ("City-State LOMA"), certain decisions will require a supermajority vote (i.e., five affirmative votes).</p>
iii.	<ul style="list-style-type: none"> <li>• <b>Financing</b> <ul style="list-style-type: none"> <li>➤ Why do PILOTs for Sites 4-8 begin after completion of construction instead of at the beginning of demolition? (P. Devlin, L. Law-Gisiko) <ul style="list-style-type: none"> <li>○ Vornado ("VNO") or the private owner at the time would pay existing taxes during the demolition and construction period for Sites 4-8 because the private owner would still own those sites through the end of construction. Should Penn Expansion move forward, Sites 1-3 would be owned by the State and the State would be responsible for tax-equivalent payments during the construction period for those sites.</li> </ul> </li> <li>➤ Will Additional Development Rights ("ADRs") be priced at current market levels? (P. Devlin) <ul style="list-style-type: none"> <li>○ ADRs will be negotiated at the time their value is captured and their value will be based on the then-fair market value rates.</li> </ul> </li> <li>➤ What is the estimated cost of Penn Expansion? (Sen. Hoylman) <ul style="list-style-type: none"> <li>○ The current estimated cost of Penn Expansion is \$13 billion. This estimated cost does not include the Hudson Tunnel Project or public realm and transit improvements.</li> </ul> </li> <li>➤ What is the \$30-\$40B estimated cost? (Sen. Hoylman, F. Park-Rogers) <ul style="list-style-type: none"> <li>○ The \$30-\$40B figure is the estimated cost range for the costs of Penn Reconstruction and Expansion, the Hudson Tunnel Project, and the GPP public realm and transit improvements.</li> </ul> </li> <li>➤ If Sites 1-3 are selected as the preferred alternative for the location of Penn Expansion, and the State acquires those sites, what would be the basis for the make-whole property tax payments to be made by the State? (L. Law-Gisiko) <ul style="list-style-type: none"> <li>○ If the State acquires Sites 1-3 after the selection of those sites for Penn Expansion, the make-whole property tax payments to the City would be based on the existing improvements located on the sites at the time the State acquires those sites.</li> </ul> </li> <li>➤ When will the State acquire and lease back Sites 4-8? Does ESD have a development agreement with Vornado? (L. Law-Gisiko) <ul style="list-style-type: none"> <li>○ ESD has not entered into a development agreement with any developer at this time. ESD would acquire Sites 4-8 when VNO or the current owner is ready to begin construction and after ESD has executed a development agreement with the developer of the site(s).</li> </ul> </li> <li>➤ Why are the make-whole payments during the construction and demolition period for Sites 1-3 being handled differently than the payments for Sites 4-8? (L. Law-Gisiko) <ul style="list-style-type: none"> <li>○ The overall basis for the make-whole payments is to keep the City whole as if the GPP projects never happened. Because Sites 1-3 would unlikely be redeveloped but for the Penn Station projects, while Sites 4-8 may get developed by VNO independent of the Penn Station projects, the State would be responsible for the make-whole payments for Sites 1-3 during construction and demolition.</li> </ul> </li> <li>➤ Has ESD negotiated with the Sites 4 &amp; 5 land owner and/or the owner of the Site 6 lots not owned by VNO? (L. Law-Gisiko)</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>ESD has not entered into negotiations with the Sites 4 &amp; 5 land owner or the owner of the Site 6 lots not owned by VNO. For all three sites, VNO will conduct their own private negotiations with the respective owners.</li> </ul>
➤	<p>What is the source of the \$50 million initial funding for the Public Realm Fund (“PR Fund”) and what is the timing for this funding? Is it possible that the MTA would use this funding for the rail projects? And will the PR Fund need more funding in the future? (L. Law-Gisiko, J. LeFrancois, C. Berthet)</p> <ul style="list-style-type: none"> <li>The \$50 million initial funding for the PR Fund would come from a portion of the early real estate revenues generated by the GPP sites. The State has committed these funds to the PR Fund, and so they would not be available to be used for the rail projects. Additional GPP revenues will be contributed to the PR Fund as redevelopment of the GPP sites progresses.</li> </ul> <p>The PR Fund and its funding source was first discussed during <a href="#">CACWG Meetings #13</a> and <a href="#">#14</a>. ESD anticipates that Site 7 will be the first site to be developed after affirmation of the Modified GPP. If revenues are not generated from a site in sufficient time to move forward with the Public Realm Concept Plan (“PRCP”), then the State will explore other sources.</p>
➤	<p>The community’s and elected officials’ concerns have been ignored. The FEIS refers to the Penn Station area as having “patchwork” zoning, which ESD is using as justification to take tax revenue away from the City. (L. Law-Gisiko, F. Park-Rogers)</p> <ul style="list-style-type: none"> <li>ESD has not ignored the community. In fact, the GPP has allowed for more public engagement than any other ESD project in recent memory, resulting in major changes to the project since it was announced in January 2020 in direct response to the community’s and local electeds’ concerns. In total, ESD has held 21 CAC and CACWG meetings, including today’s meeting to preview the modified plan and the Letter of Mutual Agreement with the City. As a result of these meetings and this extensive outreach process, the GPP was modified with meaningful changes to the Project.</li> </ul> <p>In addition, as detailed in the City-State LOMA, the State will keep the City whole for existing property taxes, adjusted annually, on all sites, so the City would not lose tax revenue. The PILOT structure would also not continue in perpetuity but rather would be limited to the duration of any financing mechanism utilized to pay for the Penn Station improvements and thereafter return fully to the City.</p>
➤	<p>Why do developers need to be given abatements or incentives in an area that is arguably more desirable than Hudson Yards? (E. Sinigalliano)</p> <ul style="list-style-type: none"> <li>The State has made no commitments regarding financial incentives on any site in the GPP Project Area. Those determinations would be made at the time a development agreement is executed for each site and would take into consideration the market at that time.</li> </ul> <p>That said, the State has committed to New York City that any abatements offered in the Project Area would not be greater than those available in the Hudson Yards UTEP district at the time any individual development agreement is executed. This would help ensure that all developments in the area are on an equal playing field and help incentivize timely development of both areas.</p>

The State is committed to limiting benefits to only what is needed to catalyze development in an area that has not seen a new office building built since the 1970s.

- Does the State’s financial obligations for public realm improvements cover public realm maintenance? (S. Coughlin)
  - ESD anticipates that the future development agreements for each site will include provisions for the private development partner to pay for ongoing maintenance of the public realm. ESD or the State or another public entity may also form other public private partnerships for maintenance of the public realm.
- The GPP financing model will not generate enough funding to pay for everything. The State needs to explore more funding and financing options including traditional bond structures, which would be less risky. (L. Law-Gisiko)
  - ESD has never stated that the GPP would fund 100% of the costs of the Penn station projects. The GPP is one source to offset the costs of the projects from taxpayer. A traditional bond structure without the GPP would expose New York taxpayers to greater risk than a public-private financing model and would mean that New York State (and its taxpayers) could be responsible for most or all of New York State’s share of the project costs – billions of dollars that can be shifted to the private sector to fund through a value capture framework. The GPP financing model would leverage the increased assessed value of up to ten privately financed developments to cover a substantial portion of the costs of the Penn Station reconstruction and expansion, as well as additional transit and public realm improvements and pledge future long-term additional revenues as additional support to finance the near-term reconstruction and expansion of Penn Station.

It is also important to note that the GPP has other significant goals in addition to helping fund the Penn railroad projects. The public benefits that will accrue from the proposed developments – from 18 new entrances into Penn Station and area subways, to shared streets, a 30,000 square foot public plaza, widened sidewalks and other new public space, to a major underground pedestrian tunnel network all the way to Herald Square, to hundreds of much-needed affordable apartments – will revitalize a neighborhood that has struggled for decades as an underbuilt commercial district despite its location. An area that has not had any significant development since the 1970s will evolve into a cohesive, transit-oriented district through the addition of sustainable, mixed-use development and public realm and transit improvements that will champion pedestrians and cyclists. This is a comprehensive plan, which this part of New York City has never had, - and the PRTF and other governance structures, community stakeholders and government agencies at all levels will work together over time to ensure that it is implemented with the interests of residents, commuters and workers in the forefront.

**iv. • Madison Square Garden (“MSG”)**

- Is there an update on the local electeds’ request to convene stakeholders to look into alternative locations for MSG?? (CM Bottcher)
  - ESD will notify the CACWG if it receives any further updates on the status of MSG.
- Which State or City agency can address the community’s concerns about MSG?
  - ESD has no authority to move MSG but recognizes the importance of addressing MSG. ESD additionally notes that nothing in the GPP precludes moving MSG in the future. Although ESD ultimately defers to the railroads on MSG negotiations, ESD has included

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	<p>MSG as primary topic for the PRTF. One goal of the PRTF will be to provide a forum for coordinating among various property owners, including key private owners such as MSG, in the formation of a public realm concept plan. ESD anticipates working with MSG and the Railroads, among others, to address questions related to MSG operations, with the goal of creating a safer, less congested, more desirable public realm around the Garden.</p>
v.	<ul style="list-style-type: none"> <li data-bbox="261 348 472 375">• <b>Human Assets</b> <ul style="list-style-type: none"> <li data-bbox="334 384 1503 520">➤ Is the homeless drop-in center for which the State is exploring possible locations in the Penn Station area a new homeless center? (P. Devlin) <ul style="list-style-type: none"> <li data-bbox="407 457 1503 520">○ Yes, the State is exploring possible locations for new homeless drop-in center in addition to the Oliveri Center currently located in the Penn Station area.</li> </ul> </li> <li data-bbox="334 562 1503 737">➤ How will Area Median Incomes (“AMI”) for affordable housing on the GPP sites be determined? (E. Goldstein) <ul style="list-style-type: none"> <li data-bbox="407 632 1503 737">○ For the FEIS, ESD studied an average 80% AMI for the affordable housing uses. However, ESD will work with the community on identifying the needs of the local community to set the actual AMI requirements at the time of redevelopment.</li> </ul> </li> <li data-bbox="334 779 1503 1020">➤ Is the State’s commitment for 60 new supportive housing units at the Bayview site intended to be mitigation for housing needs at Penn Station? <ul style="list-style-type: none"> <li data-bbox="407 848 1503 1020">○ As detailed on Slide 6 of the presentation, the supportive housing units at Bayview are characterized as “off site.” While these units are not a direct mitigation for housing needs in the Penn Station area, it is the State’s good faith effort to respond directly to CB4’s requests for more sites in the larger district that could support development for affordable or supportive housing.</li> </ul> </li> </ul> </li> </ul>
vi.	<ul style="list-style-type: none"> <li data-bbox="261 1062 695 1089">• <b>Public Approvals/Administration</b> <ul style="list-style-type: none"> <li data-bbox="334 1098 1503 1419">➤ On what agenda items will the ESD Directors be voting on July 21? (Sen. Krueger) <ul style="list-style-type: none"> <li data-bbox="407 1140 1503 1419">○ The Board will be voting on the following items: <p>Adoption of Findings Pursuant to the New York State Environmental Quality Review Act (“SEQRA”); Adoption of Findings pursuant to Section 10 of the New York State Urban Development Corporation Act; Affirmation of a Modified General Project Plan; Authorization of an Agreement with the City of New York regarding the Project; Authorization of a subsidiary pursuant to UDC Act Section 12; and Authorization to Take All Related Actions</p> </li> </ul> </li> <li data-bbox="334 1461 1503 1608">➤ Will the Public Authorities Control Board (“PACB”) be voting on the same items as the ESD Board? (Sen. Krueger) <ul style="list-style-type: none"> <li data-bbox="407 1535 1503 1608">○ ESD will be presenting the essential terms of the City-State LOMA and will ask PACB to vote only on authorization for ESD to enter into a binding PILOT agreement with the City.</li> </ul> </li> <li data-bbox="334 1650 1503 1766">➤ What happens if the ESD Board does not approve the GPP? (Sen. Krueger) <ul style="list-style-type: none"> <li data-bbox="407 1692 1503 1766">○ If the ESD Board does not approve the GPP, then the GPP would not move forward, and nothing would be presented to the PACB.</li> </ul> </li> <li data-bbox="334 1808 1503 1976">➤ Can you describe the actions required for each development site and will terms of deals be disclosed to public and will CACWG/public be able to give input? (E. Goldstein) <ul style="list-style-type: none"> <li data-bbox="407 1877 1503 1976">○ Each development agreement will be the subject of a public hearing as required by the UDC Act during which the public can give comments. Following the hearing and after addressing public comments, each development agreement must first be approved by</li> </ul> </li> </ul> </li> </ul>

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	<p>the ESD Directors and thereafter, by the PACB. In addition, as ESD previously informed the CACWG, ESD will require that each proposed development on Sites 4-8, prior to final approvals by ESD and PACB, be presented to the CACWG and Community Boards 4 and/or 5 for advisory input. ESD will mandate the same for any future RFPs for Sites 1-3, should those sites go forward as the preferred alternative for Penn Expansion</p> <ul style="list-style-type: none"> <li>➤ Why was the project completion year adjusted from 2038 to 2044 between the DEIS and FEIS? (E. Goldstein) <ul style="list-style-type: none"> <li>○ The analysis years were extended for the FEIS due to adjustments in the development schedules and delays in the construction of the railroad projects and commencement of the federal NEPA review.</li> </ul> </li> <li>➤ Can the ESD Directors make changes to the GPP during the ESD Directors meeting? (Sen. Hoylman) <ul style="list-style-type: none"> <li>○ Prior to the ESD Directors meeting, the Directors are given the materials to review and participate in meetings to prepare and discuss any feedback or changes the Directors may have so that they are resolved before voting on the item(s) during the Directors meeting.</li> </ul> </li> <li>➤ The Neighborhood Conditions Study (“NCS”) incorrectly characterizes the area as “blighted” and “insanitary” and still uses outdated pictures. (E. Sinigalliano) <ul style="list-style-type: none"> <li>○ The <a href="#">addendum</a> to the NCS contains updated information regarding the area including updated photos of the area. ESD provided an addendum to the NCS rather than edit the NCS directly so that the public could review the updated information separately and still have the original NCS for reference.</li> </ul> <p>“Blighted” and “insanitary” are legally defined terms in the UDC Act that denote a specific meaning. ESD has clarified in the GPP that these terms can mean economic stagnation, which is the intended meaning in the NCS.</p> </li> </ul>